LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6945 | **NOTE PREPARED:** Jan 6, 2009
BILL NUMBER: SB 426 | **BILL AMENDED:**

SUBJECT: Asset Transfer in Determining Medicaid Eligibility.

FIRST AUTHOR: Sen. Errington | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State
DEDICATED
X FEDERAL

Summary of Legislation: This bill prohibits the Office of Medicaid Policy and Planning from considering certain asset transfers when determining Medicaid eligibility for an individual.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill would require FSSA to amend rules regarding Medicaid penalties for the improper transfer of assets to qualify for medical assistance. Rule-making activities are administrative in nature, and FSSA should be able to accomplish the required task within its existing level of resources.

For an asset transfer that occurs after February 7, 2006, the bill would limit an individual to total cumulative asset transfers of $1,000 per calendar year during the applicable look-back period for determining Medicaid eligibility for nursing facility level of care. The bill provides that the transfers may exceed $1,000 but not more than $4,000 per calendar year if the applicant provides documentation that the transfer follows a pattern that existed for at least three years before the applicant applied for Medicaid. Transfers above the defined limits would qualify as improper asset transfers subject to the imposition of a penalty period. The fiscal impact of this provision would depend on the number of individuals that might qualify for Medicaid benefits sooner as a result of asset transfers that meet the parameters set out in the bill.

Background Information: State Medicaid programs are required to review the assets of Medicaid applicants for a period of time prior to application for medical assistance. This period is known as the look-back period. A financial review looks for transfers from personal assets made during the look-back period that appear to have been made for the purpose of obtaining Medicaid eligibility. Transfers made before the look-back period are not reviewed. The federal Deficit Reduction Act of 2005 lengthened the required look-back period from 36 months to 60 months for all income and assets disposed of by an individual. The increased look-back period applies to asset transfers that occurred after February 8, 2006, the date of enactment of the federal legislation. If a Medicaid applicant is found to have made an improper transfer of assets during the look-back period, a penalty period of Medicaid ineligibility for nursing home level of care is imposed.

Medicaid is a jointly funded state and federal program. Funding for direct services is reimbursed at approximately 63% by the federal government, while the state share is about 37%. Funding for administrative services is generally shared 50/50.

Explanation of State Revenues: See *Explanation of State Expenditures*.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning, Family and Social Services Administration.

Local Agencies Affected:

Information Sources: *Deficit Reduction Act of 2005, Summary of Medicaid/Medicare/Health Provisions*, updated August 6, 2006, National Conference of State Legislatures; Minutes of the Select Joint Commission on Medicaid Oversight, October 22, 2008.

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